

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2013-275-WS

| | | |
|---------------------------------------|---|---------------------------|
| In Re: Application of Carolina Water |) | |
| Service, Inc. for Adjustment of Rates |) | |
| and Charges and Modifications to |) | REBUTTAL TESTIMONY |
| Certain Terms and Conditions for the |) | OF |
| Provision of Water and Sewer Service |) | PATRICK C. FLYNN |

1 **Q. ARE YOU THE SAME PATRICK FLYNN THAT HAS PRE-FILED DIRECT**
2 **TESTIMONY IN THIS CASE?**

3 **A.** Yes, I am.

4 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**
5 **PROCEEDING?**

6 **A.** The purpose of my rebuttal testimony is to respond on behalf of Carolina Water Service,
7 Inc., (CWS) to the testimony of ORS witnesses Dawn M. Hipp and Willie J. Morgan in this
8 docket as well as to the pre-filed testimony of Leslie Hendrix and Reid Ratke.

9 **Q. ORS WITNESS HIPPI SUGGESTS IN HER TESTIMONY THAT CWS SHOULD**
10 **CONTRACT WITH ITS THIRD PARTY PROVIDERS TO MIRROR THE**
11 **ARRANGEMENT BETWEEN CWS AND YORK COUNTY REGARDING RIVER**
12 **HILLS. WHAT IS CWS' RESPONSE?**

13 **A.** CWS is in favor of Witness Hipp's recommendation in general. However, CWS does not
14 have the authority to unilaterally modify its existing contracts and agreements.
15 Municipalities are not obligated to change their billing rate or methodology to favor CWS

1 customers and are disinclined to do so. Doing so would have the effect of reducing the
2 revenue currently flowing to the third party provider without any offsetting reduction in
3 their operating expense. It is my understanding that municipalities are encouraged to
4 maximize the revenue produced from services provided to customers located outside of
5 their territorial limits in order to minimize the cost of service to municipal residents and to
6 optimize the use of existing capacity in their facilities. In most locations where CWS
7 obtains service from bulk provider, an alternative provider is not a viable option due to the
8 distance to the nearest point of connection, a lack of capacity, or an unwillingness to enter
9 into an agreement thus limiting the leverage to negotiate more attractive terms in the
10 provision of bulk service from the current provider. Consequently, it is likely that CWS
11 will have considerable difficulties in accomplishing the recommendation of ORS.

12 **Q. IS CWS COMPLIANT WITH THE PASS-THROUGH PROVISIONS OF THE CWS**
13 **TARIFF?**

14 **A.** Yes, it is.

15 **Q. WHAT IS THE STATUS OF THE CWS CAPITAL PROJECTS REFERENCED IN**
16 **ORS WITNESS HIPPI'S TESTIMONY?**

17 **A.** ORS witness Hipp referenced three capital projects, specifically, River Hills Lift Station #26
18 Upgrade, Glenn Village WWTP Disc Filter, and Lincolnshire/Whites Creek Collection
19 System Improvements. The River Hills Lift Station #26 Upgrade was inspected by Steven
20 Hauptmann of the South Carolina Department of Health and Environmental Control
21 (DHEC) on November 6, 2013, the same day that ORS Willie Morgan performed his
22 inspection of the site. Mr. Hauptmann gave approval to place the new equipment into

1 service that day as noted on Exhibit PCF-1, River Hills Lift Station #26. The capital
2 expenditures associated with this project should be included in the determination of rate
3 base in this docket by virtue of the project being completed on that date. The Glenn Village
4 WWTP Disc Filter project includes the replacement of the original filter that has reached
5 the end of its service life. A new filter unit has been ordered but not yet installed.
6 Therefore, I agree that this project is not yet complete.

7 **Q. WHAT IS THE STATUS OF THE WHITES CREEK / LINCOLNSHIRE**
8 **COLLECTION SYSTEM IMPROVEMENTS PROJECT?**

9 **A.** The portion of the Whites Creek / Lincolnshire Collection System Improvements project
10 that is associated with correcting the sources of excess Inflow and Infiltration (I/I) was
11 completed prior to the ORS inspection date of November 7, 2013, at a cost of over
12 \$700,000. CWS had previously paid \$339,000 in sewer capacity fees to Georgetown
13 County Water & Sewer District (GCW&SD), over \$85,000 in emergency improvements to
14 certain pipe sections, and over \$15,000 in engineer design and permitting activities prior to
15 the Commission approving the Settlement Agreement in Docket No. 2012-383-WS, Order
16 No. 2013-821, on November 6, 2013. CWS thereupon initiated construction of the
17 interconnection with GCW&SD's collection system with an expected completion date of
18 December 16, 2013 at a cost of approximately \$50,000. As per the terms of the Settlement
19 Agreement, CWS will continue to provide ORS with documentation of its capital
20 expenditures so that they may be included in ORS' analysis of plant in service prior to the
21 January 14, 2014 merits hearing in this docket.

22 **Q. DID CWS EXCLUDE THE DHEC PENALTIES LEVIED IN LINCOLNSHIRE'S**

1 **CONSENT ORDER FROM ITS APPLICATION?**

2 **A.** Yes, as required by Commission rule, the penalties were not included in CWS' filing.

3 **Q. HAS THE LINCOLNSHIRE WWTP BEEN IN SUBSTANTIAL COMPLIANCE**
4 **WITH ITS NPDES PERMIT LIMITS OVER THE LAST 15 MONTHS?**

5 **A.** Yes. Since October 2012, the Lincolnshire WWTP has had only one violation of its permit
6 limits, a BOD sample taken in February 2012. The plant's excellent performance during
7 this time period reflects the impact of the interim improvements made to the WWTP in the
8 third quarter of 2012 on the plant's performance and to the diligence and skill of the
9 utility's staff and its contractors during the last 15 months, a time period when the South
10 Carolina coast received a lot of rain but before the collection system improvements were
11 completed.

12 **Q. PLEASE DESCRIBE THE NOV'S ISSUED BY DHEC IN THE SIX SEWER**
13 **SYSTEMS NOTED IN ORS WITNESS MORGAN'S TESTIMONY.**

14 **A.** 1. Smallwood Estates WWTP was issued an NOV for failure to conduct sampling and
15 analysis for E. coli bacteria as Mr. Morgan noted. However, DHEC, in issuing a renewal of
16 the Smallwood Estates NPDES Permit in May 2013, switched from using fecal coliform
17 bacteria as an indicator of adequate disinfection to E. coli. The operator failed to catch this
18 one change in the permit's monitoring requirements in June 2013. He sampled and
19 analyzed for fecal coliform bacteria for one additional month, corrected his error the
20 following month, and the plant has been in compliance since then. There was no
21 environmental impact caused by the operator's error.

22 2. Watagate, Glenn Village II, I-20, Lincolnshire and Pocalla WWTP's experienced

occasional permit violations of BOD, Fecal Coliform, Copper, Ammonia Nitrogen, and Toxicity limits. In each instance, CWS staff evaluated the plant's performance and search for the cause of the violations in order to make prompt adjustments to the treatment process where warranted. In the case of Glenn Village II, for instance, the replacement of the existing sand filter with a more efficient membrane filter will improve the reliability of the plant's performance in meeting its effluent limits. The performance of the Watergate WWTP will be enhanced by virtue of the collection system improvements recently completed in the Rollingwood subdivision that significantly reduced wet weather flow through the Watergate Plant. The I-20 WWTP, an aerated lagoon, will benefit from a reduction in incoming BOD loading after the completion of a solids removal project at the Springhill equalization pond in the fourth quarter of 2013. In addition, CWS is investigating the pigging of the effluent transmission line as a means of improving the disinfection process and thus reduce the presence of fecal coliform or E. coli bacteria in the receiving stream in a reliable fashion.

Q. PLEASE DESCRIBE THE DHEC CONSENT ORDER ASSOCIATED WITH THE INDIAN PINES WATER SYSTEM.

A. The Indian Pines water system is a well system serving a total of 17 customers in Lexington County. Over time, the water quality in the aquifer deteriorated to the point that the radionuclide level in each of the two wells in 2012 exceeded the maximum contaminant level (MCL) as established by DHEC and EPA. DHEC and CWS entered into a Consent Order in August 2012, without any penalty or fine being levied, that required CWS to either upgrade the water treatment process to remove radionuclides below the MCL prior

1 to delivery to the customers or establish an alternate water source. After investigating its
2 treatment options, CWS entered into an agreement with the City of West Columbia to
3 provide bulk water to CWS at the Indian Pines system.

4 **Q. WILL CWS SOON SUBMIT AN APPLICATION TO THE COMMISSION**
5 **REQUESTING APPROVAL OF THIS BULK WATER AGREEMENT?**

6 **A.** Yes, CWS intends to make application in December for such approval, and until such time
7 as the Commission rules on that application, CWS will make no change to the billing
8 method used to compute the monthly water bills incurred by the 17 Indian Pines customers.

9 **Q. HAS CWS PROVIDED THE COMMISSION WITH NOTICES OF VIOLATION**
10 **ISSUED BY DHEC?**

11 **A.** No, it did not. The Notice of Violation received from DHEC regarding the exceedence of
12 the MCL for radionuclides at Indian Pines water system was the only NOV received by
13 CWS that affects the delivery of service to its customers. CWS apologizes for the
14 oversight, and is committed to filing with the Commission and the ORS written notice of
15 any violation of a PSC regulation or a DHEC regulation which results in the issuance of a
16 DHEC order.

17 **Q. WHAT IS CWS' RESPONSE TO THE ORS' RECOMMENDATION REGARDING**
18 **THE COMPANY'S PROPOSED CHANGES TO NON-RECURRING CHARGES?**

19 **A. Meter Installation Charge.** CWS agrees with the ORS recommendation to set the meter
20 installation charge at \$35.00 for a ¾" by 5/8" meter in those instances where a meter has
21 not previously been provided by a developer.

22 **Tampering Charge.** CWS agrees with the language proposed by ORS witness Morgan

1 that caps the charge at \$250.00. CWS would continue to recover the cost of repairing or
2 replacing metering equipment damaged by tampering without limitation according to S.C.
3 Code Reg. 103-733.5(d).

4 **Pumping Charge.** The inclusion in the current tariff of a Pumping Charge reflects the fact
5 that approximately 443 sewer customers in Lexington County utilize a low pressure piping
6 and holding tank system, known as a LETTS system, to convey domestic wastewater to a
7 wastewater treatment facility. These LETTS tanks are located in the following
8 subdivisions:

- 9 • Ballentine Cove
- 10 • Forty Love
- 11 • Indian Cove
- 12 • Mallard Cove
- 13 • North Lake Shore Point
- 14 • Tatlers Wharf
- 15 • Bilmont Estates
- 16 • Beards Creek

17 These LETTS systems are essentially modified septic tanks wherein solid waste
18 accumulates in a holding tank with liquid waste pumped through a small diameter force
19 main to a sewer main for conveyance to a treatment plant instead of leaching the liquid
20 waste into a drain field. The LETTS holding tanks must be periodically pumped out to
21 remove a buildup of solids.

22 With regard to the 443 sewer customers referenced above, CWS is the owner of the

1 LETTS tank and is responsible for the tank, sewage pump, and the piping situated between
2 the tank inlet and the receiving sewer main. In comparison, the homeowner is responsible
3 for the sewer lateral from the house to the tank inlet, the pump controller, the power needed
4 to operate the pump, and the maintenance of the LETTS tanks including any pump out
5 activities.

6 The homeowner has the discretion under the current tariff to use the services of a
7 vendor of his choice to pump out the holding tank or to request that CWS coordinate the
8 pump out of the tank at a cost of \$150.00. However, the actual cost to CWS to accomplish
9 this task is universally greater than \$150.00, and depending on the urgency of the request,
10 the difficulty in accessing the tank, whether the request is made outside of normal business
11 hours or other factor, the actual cost can be greater than \$1,000.

12 CWS is requesting that the pumping charge associated with this activity be revised
13 to authorize CWS to charge the actual cost of pumping out the tank. CWS does not possess
14 the equipment, manpower, or expertise to pump out tanks and must rely on third party
15 contractors. Consequently, it is not cost effective in any instance for CWS to respond to
16 such a request at a charge of \$150.00 requiring CWS' customer base to subsidize the
17 pumping cost which is directly attributable to the customer receiving the benefit.

18 Alternatively, CWS requests that the PSC revise the tariff to delete the existing
19 pumping charge from the tariff altogether while also no longer obligating CWS to offer a
20 pump out service to its customers. This task is best performed by contractors and vendors
21 who routinely offer this service and who are properly equipped to accomplish the work in
22 an efficient and timely manner.

1 In this way, the 443 sewer customers located in the above subdivisions would be
2 directly responsible for the selection of the vendor of their choice in the same manner as
3 nearly 600 customers in other subdivisions, where the homeowners own the LETTS
4 system in entirety and have full responsibility for their operation and maintenance.

5 **Q. IN HIS TESTIMONY, MR. MORGAN STATES CWS CHARGED TAMPERING**
6 **FEES OF \$1,862 DURING THE TEST YEAR. PLEASE ELABORATE.**

7 **A.** Customers who damaged CWS facilities such as meters, meter boxes, service laterals and
8 curbstop valves were inadvertently charged for those damages in an effort by CWS to
9 recover the cost of such malicious damage from the offending party. Once it was
10 discovered that the existing tariff does not allow for tampering charges to be levied, the
11 tampering fees were refunded to the customers.

12 **Q. ORS WITNESS MORGAN TESTIFIES THAT THERE HAVE BEEN INSTANCES**
13 **OF SANITARY SEWER OVERFLOWS (SSO's) SINCE THE BEGINNING OF**
14 **THE TEST YEAR. WHAT IS THE STATUS OF THE COMPANY'S EFFORTS TO**
15 **ADDRESS THEM?**

16 **A.** In all cases, CWS field personnel have responded promptly upon learning of an SSO and
17 then taken immediate steps to stop the overflow, contain and vacuum the liquid, clean up
18 any debris and disinfect the area. The most severe SSO occurred in River Hills when a
19 contractor damaged a force main that caused an estimated 150,000 gallons to spill into a
20 retention pond that was under construction. CWS and the contractor were able to contain
21 the flow, repair the pipe and pump the wastewater back into the system. In an effort to
22 reduce the likelihood of future SSOs, CWS has initiated capital projects in Rollingwood,

1 Friarsgate (Section 5), and Lincolnshire/ Whites Creek to remedy collection system
2 deficiencies including the use of Cured-In-Place-Pipe, pipe bursting, spot repairs, pipe
3 replacement, and service lateral improvements. This is an ongoing activity due to a variety
4 of factors including the type of pipe material in service, construction methods used, age of
5 the pipe, soil conditions, groundwater table fluctuations, effects of corrosion, improperly
6 installed taps, and a host of other causes.

7 **Q. WHAT IS THE COMPANY'S RESPONSE TO THE ORS' OBJECTION TO ITS**
8 **PROPOSED LEAK MITIGATION PROGRAM?**

9 **A.** Although it is apparent to the Utility that some customers would benefit from such a
10 program, CWS is not opposed to the ORS' position at this time. However, consideration of
11 a mitigation program should be considered in a future docket.

12 **Q. PLEASE RESPOND TO ORS WITNESS MORGAN REGARDING THE**
13 **UTILITY'S PROPOSAL TO ELIMINATE THE PROVISION IN THE TARIFF**
14 **RELATED TO NOTIFYING THE COMMISSION AND ITS CUSTOMERS**
15 **ABOUT INCREASES IN BULK WATER AND SEWER CHARGES.**

16 **A.** Mr. Morgan is incorrect in stating that bulk providers notify CWS of any change in rate
17 structures. On the contrary, it is a rare occasion when CWS is given prior notice or even
18 notified after the new rate goes into effect. And unlike the detailed information provided by
19 CWS to its customers on each bill, very few municipalities provide enough information to
20 make a rate change evident to its customers on the bill form. There is no statutory
21 requirement that mandates that municipal systems or special purpose districts provide any
22 notification to CWS of a change in their rates and charges. In comparison, CWS'

1 notification requirement in the existing tariff prevents the utility from recovering the
2 incremental expense incurred for a minimum of 60 days. Under the current tariff, CWS
3 must provide the Commission with 30 days' notice of its intent to pass through a higher
4 rate and provide supporting documentation. CWS is then required to provide customers
5 with 30 days' notice before implementing a rate change.

6 CWS is not opposed to notifying the Commission and its customers of a rate
7 change. However, it would be appropriate to effectuate a tariff change coincident with the
8 notification submitted to the Commission reducing the delay in recovering the cost of the
9 rate increase by 30 days.

10 **Q. IS CWS SUPPORTIVE OF THE ORS' RECOMMENDATION TO ESTABLISH A**
11 **RATE STRUCTURE FOR BOTH 6-INCH AND 8-INCH SIZE METERS IN THE**
12 **NEXT FILING?**

13 **A.** Yes.

14 **Q. PLEASE RESPOND TO MR. MORGAN'S TESTIMONY REGARDING ADDING**
15 **LANGUAGE THAT ADDRESSES MISCELLANEOUS FEES.**

16 **A.** CWS is in agreement with Mr. Morgan's suggested language found on page 16 of 17 in his
17 direct testimony regarding late payment charges, electronic billing and electronic payment,
18 and construction standards.

19 **Q. WHAT IS YOUR RESPONSE TO LESLIE HENDRIX' TESTIMONY REGARDING**
20 **A COMPARISON OF CWS' RATES TO NEARBY MUNICIPAL RATES?**

21 **A.** It is not possible to make an accurate comparison between CWS' rate structure and a
22 municipality because the foundation on which they are structured is fundamentally

1 different. For instance, municipalities have taxing authority that may allow water and
2 sewer rates to be subsidized out of their general fund. Municipalities have access to
3 tax-free revenue bonds and to federal and state grant funds as well as low interest state
4 revolving funds that are not available to CWS. Municipalities are not subject to paying
5 taxes or regulatory assessment fees, which is reflected in their rates. Municipalities have
6 the ability to charge customers living outside the city limits higher rates than what city
7 dwellers are charged. Non-city dwellers have no say in the rate making process whereas
8 CWS is subject to the authority of the PSC. Municipalities may have access to reservoirs
9 and impoundments that were constructed with federal funds making source water cheaply
10 available in plentiful volumes. Municipalities may benefit from a larger customer base on
11 which to better distribute its fixed costs. In sum, there is no comparison between
12 municipal rates and those of CWS.

13 **Q. WHY DOES CWS CHARGE A WATER DISTRIBUTION FEE OR CHARGE?**

14 **A.** The water distribution charge reflects the revenue required in order to cover the operation,
15 maintenance, repair, monitoring and management of the water distribution network. It also
16 covers the recovery of capital investments made by CWS in its water distribution network
17 and offers an opportunity for CWS to earn a return on its investments.

18 **Q. DOES CWS' CURRENT TARIFF CAP THE PASS-THROUGH OF**
19 **NON-METERED WATER LOSS AT 10% AS STATED IN MS. HENDRIX'**
20 **TESTIMONY?**

21 **A.** No, Ms. Hendrix, as a customer of Utilities Services of South Carolina, Inc., not CWS, may
22 not be aware that the current CWS tariff does not include a cap on the pass-through

1 amount.

2 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

3 **A.** Yes it does.

EXHIBIT PCF - 1



Catherine B. Templeton, Director

Promoting and protecting the health of the public and the environment

WASTEWATER

APPROVAL TO PLACE INTO OPERATION 1072493

ISSUED TO: CAROLINA WATER SERVICE INC
200 WEATHERSFIELD AVE
ALTAMONTE SPRINGS FL 32714-4027

for the operation of a wastewater treatment/collection system permitted under construction permit 37592-WW, dated April 22, 2013, as described below

PROJECT NAME: RIVER HILLS LIFT STATION #26 MODIFICATIONS
COUNTY: York
PROJECT DESCRIPTION: This Permit to Operate is for the installation of a new duplex pump station and 2 manholes at an existing facility so the old pump station can be taken out of commission.
PERMITTED FLOW: 0 gallons per day
WWTP: ROCK HILL/MANCHESTER CREEK (SC0020443)
SPECIAL CONDITIONS:

1. The pump station's wetwell must be equipped with a screened vent.
2. A weather durable sign, with a twenty-four (24) hour emergency telephone number, shall be located at a conspicuous point on the fence or structure of the pump station.
3. All construction/materials for this project must conform to the Standard Specifications for WK DICKSON.

This approval is based on the Engineer's letter of certification signed by Stewart M Hill, P.E., South Carolina Registration No. 30381.

DATE ISSUED: November 06, 2013

Steven E Hauptmann, Regional Engineer Associate
02, MIDLANDS REGION BEHS LANCASTER

cc: Stewart M Hill, P.E
ROCK HILL CITY OF